

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-05 OMB-01 CEA-01 PA-01 PRS-01
CIAE-00 COME-00 INR-07 LAB-04 NSAE-00 SIL-01 L-03
H-01 /079 W

-----044272 142240Z /41

R 141826Z DEC 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 4007
INFO AMCONSUL BREMEN
AMCONSUL DUSSELDORF
AMCONSUL FRANKFURT
AMCONSUL HAMBURG
AMCONSUL MUNICH
AMCONSUL STUTTGART
USMISSION USBERLIN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY ROME
AMEMBASSY PARIS
AMEMBASSY DUBLIN
AMEMBASSY COPENHAGEN
AMEMBASSY LUXEMBOURG
AMEMBASSY THE HAGUE

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USEEC ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: ELAB, GW
SUBJECT: THE WAGE ROUND CLIMATE

REF: (A) STUTTGART 2051; (B) BONN 20443; (C) BONN
19414; (D) BONN 16182; (E) BONN 16498
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SUMMARY: THE DGB METALWORKERS UNION (IG METALL) DEMAND
FOR A WAGE HIKE OF 8 PERCENT PLUS FRINGE BENEFITS IN
THE BADEN-WUERTTEMBERG METAL INDUSTRY (REF A) HAS
SHARPENED THE NATIONAL DIALOGUE ON WAGES. THIS IS THE
INITIAL THRUST IN THE 1978 WAGE ROUND AND, AS IN PRE-
VIOUS YEARS, WAS MADE BY THE METALWORKERS. IT COULD

HAVE AN IMPACT ON FUTURE LABOR-MANAGEMENT RELATIONS
AND POSE A SERIOUS CHALLENGE TO GOVERNMENT ECONOMIC
POLICY
END SUMMARY.

1. I.G. METALL PRESIDENT EUGEN LODERER STATED THAT THE
WAGE DEMAND IN BADEN-WUERTTEMBERG (8 PERCENT PLUS
FRINGE BENEFITS) IS IN LINE WITH THE WAGE POLICY OF
THE UNION'S NATIONAL EXECUTIVE BOARD. HOWEVER, HE
EXPECTS SOME MINOR MODIFICATIONS OF THE DEMAND IN OTHER
COLLECTIVE BARGAINING AREAS WHICH WILL REFLECT DIFFER-
ENT REGIONAL REQUIREMENTS. THE UNION EXECUTIVE BOARD
WILL MEET THIS WEEK TO DECIDE ON REGIONAL DIFFEREN-
TIALS.

2. REPRESENTATIVES OF THE METAL EMPLOYERS' ASSOCIA-
TION IN BADEN-WUERTTEMBERG AND THE NATIONAL METAL
EMPLOYERS' CONFEDERATION (GESAMTMETALL) LABELED THE
UNION DEMANDS INFLATIONARY, BUT STOPPED SHORT OF TOTAL
REJECTION. HOWEVER, A SPOKESMAN FOR THE BAVARIAN METAL
EMPLOYERS DECLARED THAT THEY EXPECT A STRIKE IN THE
INDUSTRY. IN HIS VIEW, THE UNION DEMAND OF 8 PERCENT
WAS FAR TOO HIGH TO CONSIDER REACHING A SETTLEMENT
THROUGH COLLECTIVE BARGAINING. ALTHOUGH AN EMPLOYER
OFFER HAS NOT BEEN FORMALLY PRESENTED, A BAVARIAN
METAL INDUSTRY REPRESENTATIVE MENTIONED 3.5 PERCENT
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IN CONVERSATION WITH LABATT, AND FLATLY STATED THAT
NOTHING ABOVE 5 PERCENT COULD BE TOLERATED.

3. IN THE MEANTIME, THE GOVERNMENT IS URGING WAGE
RESTRAINT AND TRYING TO INFLUENCE THE UNIONS BEHIND
THE SCENES (REF B). CHANCELLOR SCHMIDT MET WITH I.G.
METALL PRESIDENT LODERER AND OTHER I.G. METALL RE-
PRESENTATIVES ON DECEMBER 8 FOR "AN EXCHANGE OF VIEWS",
WITH HIMSELF, FINANCE MINISTER HANS APEL, AND ECONO-
MICS MINISTRY STATE SECRETARY MARTIN GRUENER. JUST THE
DAY BEFORE, LODERER MET WITH ECONOMICS MINISTER GRAF
LAMBSDORFF (FDP) TO DISCUSS THE DEPRESSED SITUATION IN
THE STEEL INDUSTRY (REF B).

4. WHILE THESE MEETINGS STRESS THE KEY ROLE OF THE
METALWORKERS UNION IN THE FORTHCOMING WAGE ROUND, THEY
UNDERLINE THE ABSENCE OF SYSTEMATIC CONSULTATIVE
MACHINERY SUCH AS "CONCERTED ACTION" (A MEETING OF
GOVERNMENT, UNION, MANAGEMENT, BUNDESBANK REPRESENTA-
TIVES AND ECONOMIC EXPERTS) TO DISCUSS THE NATIONAL
ECONOMIC SITUATION. A FURTHER GAP RESULTS FROM THE
ABSENCE OF THE LATE EMPLOYERS' FEDERATION PRESIDENT

DR. HANNS MARTIN SCHLEYER WHO CONSISTENTLY PLAYED A
UNIQUE ROLE IN MAJOR LABOR-MANAGEMENT DIALOGUES. COIN-
CIDENTALLY, DGB PRESIDENT VETTER HAS BEEN MEDICALLY
RESTRICTED SINCE HIS AUTO ACCIDENT IN LATE OCTOBER..

THE RESULT HAS BEEN A GAP IN
THE USUAL TOP LEVEL DIALOGUE BETWEEN LABOR, MANAGEMENT
AND GOVERNMENT. EMPLOYERS' ASSOCIATION REPRESENTATIVES

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HAD PRIVATELY EXPECTED A FORMULA TO BE FOUND FOR THE
UNIONS TO RETURN TO THE "CONCERTED ACTION" ROUND TABLE.

UNION LEADERS, ON THE OTHER HAND, HAVE INDICATED THAT THE DGB WOULD BE PREPARED TO RESUME A NATIONAL DIALOGUE IF THE CHANCELLOR EXTENDED AN INVITATION.

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5. THERE ARE MILITANTS ON BOTH SIDES IN THE METAL INDUSTRY DISPUTE WHO ARE PREPARED TO RISK A STRIKE OR LOCK-OUT (REF C). AT THE METALWORKERS UNION CONVENTION IN SEPTEMBER (REF D AND E) THE UNION LEADERSHIP COMMITTED ITSELF TO PURSUE AN AGGRESSIVE WAGE POLICY. THE UNIONS' LEADERS ARE PUBLICLY ASSERTING THAT MAJOR WAGE BOOSTS WILL CREATE ADDITIONAL CONSUMER SPENDING POWER. THEY REJECT THE SUGGESTION THAT WAGE INCREASES MAY LEAD TO JOB LOSSES.

6. IN AN INTERVIEW WITH THE "NEUE OSNABRUECKER ZEITUNG", ECONOMICS MINISTER GRAF LAMBSDORFF CALLED FOR UNION MODERATION IN WAGE POLICY AND THOUGHTFUL CONSIDERATION OF JOB SECURITY. HE POINTED OUT THAT A WAGE FREEZE IS NOT BEING CONSIDERED, BUT WARNED AGAINST WAGE SETTLEMENTS WHICH WOULD FURTHER BURDEN THE COMPETITIVE POSITION OF GERMAN GOODS ON THE WORLD MARKET. HE RECKONS THE COST OF WAGE INCREASES TO BE SOMEWHAT HIGHER THAN JUST THE ADDITIONAL CONSUMER SPENDING WHICH WAGE INCREASES GENERATE. REFERRING TO RECENT GOVERNMENT ESTIMATES (REF B), LAMBSDORFF SAID THAT THE GOVERNMENT ASSUMES A 5.5 PERCENT INCREASE IN GROSS EARNINGS OF WAGE AND SALARY EARNERS IN 1978 OVER 1977 WHICH WOULD RESULT IN A 6 PERCENT INCREASE IN NET EARNINGS WHEN ADDED TO TAX REDUCTIONS AND HIGHER CHILD ALLOWANCES EFFECTIVE JANUARY 1, 1978. HE DID NOT ENDORSE EARLIER GOVERNMENT STATEMENTS (REF B) THAT THE CALCULATIONS ARE BASED ON AN ASSUMED 4.5 PERCENT INCREASE IN NEGOTIATED WAGES FOR 1978, BUT MERELY COMMENTED THAT "IT IS A SIMPLE MATHEMATICAL CONCLUSION."

7. COMMENT: THE JOCKYING FOR POSITION AMONG LABOR,
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MANAGEMENT AND GOVERNMENT MAY BE ONLY A RITUAL BEFORE MAJOR BARGAINING BEGINS. THAT PRACTICE HAS A LONG TRADITION IN THE METAL INDUSTRY. IF IT IS NO MORE THAN THAT, THE USUAL CONSTRAINTS WILL PREVAIL AND THE RECORD OF RELATIVE INDUSTRIAL PEACE WILL BE PRESERVED.

IF THE DISQUIET RUNS DEEPER IT COULD PROVOKE
A SERIOUS ECONOMIC QUARREL EARLY IN THE NEW YEAR

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Message Attributes

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